



CFE Financial

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Where To Go For Financial Advice

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The saying “it’s a jungle out there” may not be too far off point when someone has decided to seek help for their financial situation. From banks and mutual fund companies to representatives selling insurance to independent financial professionals and consultants, it’s clear that a potential client has several types of advisor to choose from when seeking financial advice—if an ‘advisor’ is even warranted. Sometimes, a point solution for a single financial need is all that’s needed, as with various types of insurance.

However, if there is a need for a more detailed financial review, it’s not always clear that potential clients understand the differences or know what they should expect to get from the relationship with the various sources for financial advice. **It’s not enough to simply go to ‘a friend of a friend’ or someone else’s trusted advisor** because those arrangements may not fit the situation at hand. After all, the ‘personal’ in Personal Finance can be a real source of complexity and uniqueness.

To some extent, the newly mandated Form CRS (Customer Relationship Summary) that is now required to be delivered by financial advisors to potential clients can help clarify these issues, but this only works if the potential client knows what to look out for. To help shed some light on the differences among the types of people offering financial advice, below is a look at three key categories of ‘advisor’. Which one is right for you depends partly on what you are looking for but also on the complexity of your individual financial situation. **Your job as a potential client is to understand how the person you may work with conducts their business and how they will best serve your needs.**

Fiduciary

Fiduciary advisors are often associated with individual financial advisory practices—these are your independent and registered investment advisors and usually have some type of professional skill-based credential to support their activities. The most well-known and popular credential here is the CERTIFIED FINANCIAL PLANNER™ designation (and practitioners are known as CFP[®] professionals). Fiduciary advisors are or generally:

- Obligated to act in your best interest
- Licensed and regulated by the Securities and Exchange Commission or by individual States’ securities departments
- Meet on a regular or ongoing basis
- Consider your entire financial situation
- Compensated through fee-based arrangements—Assets Under Management or Retainer models

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- Put client interests above their own, which means that conflicts of interest should be mitigated or eliminated

Non-Fiduciary

Non-Fiduciary advisors are often associated with larger financial services companies such as banks, mutual funds, insurance companies, and the like. They usually have some type of industry or company-based credential to support their activities. Non-Fiduciary advisors are or generally:

- Offer recommendations that need to be suitable for a client, although not necessarily in their best interests
- Associated with financial product sales
- Registered representatives of a larger firm
- Respond to direct questions or specific needs with product recommendations, often sponsored by the company that they work for
- Compensated through commission-based arrangements (including sales charges or Loads)
- Disclose conflicts of interest, although these do not need to be mitigated or eliminated

Financial Coach

Financial Coaches are often associated with educational institutions or individual practices. Their focus may be on specific financial behaviors or results but could also encompass psychological relationships with money. They usually have some type of program-based or education-based credential to support their activities. Financial Coaches are or generally:

- Referred to as Planners or Coaches or even Therapists
- Support financial literacy and accountability, either as a one-on-one relationship or through a like-minded group
- Meet with clients on an as-needed basis during paid periods
- Do not manage assets
- Licensed through particular programs or educational institutions
- Compensated through fee-based or hourly arrangements

In the end, there is no ‘one best place’ to go for advice because each personal finance situation can be unique. Further, a potential client’s needs may be transactional (one-time), single-issue, recurring, multi-dimensional—or even unknown at the time of contact with an advisor! The best thing for anyone seeking financial advice to do is to interview more than one professional and type of advisor to determine what could work best for their situation. Asking for an initial (and usually free) discussion from a potential advisor to explain your situation and get the ball rolling is a great start!



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